File

This memorandum is not, and under no circumstances is to be construed as, a public offering of any of these Bonds for sale in the United States of America or in the territories or possessions thereof or an offering to any resident thereof or a solicitation therein of an offer to buy any of these Bonds.

NEW ISSUE

GREATER WINNIPEG GAS COMPANY

(Incorporated by Special Act of the Legislature of Manitoba)

$6,500,000

5¾% FIRST MORTGAGE BONDS SERIES D

To be dated June 15, 1964 **To mature June 15, 1984**

Interest on the Series D Bonds at the rate of 5¾% per annum will be payable semi-annually on June 15 and December 15. Principal, interest and redemption premium, if any, will be payable in lawful money of Canada at the holder's option at any branch in Canada of the Company's bankers.

Definitive Series D Bonds will be available in coupon form in the denomination of $1,000 with provision for registration as to principal, and fully registered form in denominations of $1,000, $5,000, $10,000 and authorized multiples of $1,000 in excess of $10,000. Coupon Bonds and fully registered Bonds will be interchangeable.

REDEMPTION

The Series D Bonds shall be redeemable at the Company's option, in whole at any time, or in part from time to time, on not less than 30 days' notice at 100% of the principal amount thereof together, in cases where redemption is made for purposes other than sinking funds, with a premium thereon commencing at 5¾% of such principal amount in respect of Series D Bonds redeemed up to and including June 15, 1965 and thereafter decreasing by .30 of 1% of such principal amount for each year or portion thereof elapsed after June 15, 1965 to the date fixed for redemption up to and including June 15, 1983, after which there shall be no premium; together in each case with accrued interest to the date fixed for redemption; provided, however, that the Company shall not, as a part of any refunding or anticipated refunding operation, redeem the Series D Bonds in whole or in part prior to June 15, 1976 by the application, directly or indirectly, of borrowed funds having a lower cost of interest than the Series D Bonds to be redeemed. When redemption is made for sinking fund purposes no premium will be payable.

SINKING FUND

The Company will covenant for the benefit of the holders of the Series D Bonds to retire by purchase for cancellation or by redemption by call for the purpose of a sinking fund $162,500 principal amount of Series D Bonds on June 15 in each of the years 1968 to 1983, inclusive. The Company will reserve the right to purchase Series D Bonds on the open market or by tender or by private contract for the purpose of a sinking fund or otherwise at any price not exceeding the price at which Series D Bonds on the date of purchase are redeemable for other than sinking fund purposes plus costs of purchase.

Trustee: MONTREAL TRUST COMPANY, Winnipeg, Toronto, Montreal

In the opinion of Counsel, the 5¾% First Mortgage Bonds, Series D, will be investments in which the Canadian and British Insurance Companies Act states that companies registered under Part III thereof may invest their funds or any portion thereof without resorting to the provisions of sub-section (4) of Section 63 of the said Act.

We offer, as principals, $6,500,000 principal amount of Series D Bonds subject to prior sale and change in price, if, as and when issued by Greater Winnipeg Gas Company and accepted by us, subject to approval of all legal matters on our behalf by Messrs. Aikins, MacAulay, Moffat, Hinch and McGavin, Winnipeg, Manitoba, and on behalf of the Company by Pitblado, Hoskin & Company, Winnipeg, Manitoba.

PRICE 99 and accrued interest to yield 5.84%

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books without notice. It is expected that Bonds in definitive form will be available for delivery on or about June 15, 1964.

With the exception of the information and representations contained in this memorandum, no person is authorized by the Company or by us to give any information or to make any representation in connection with the issue and sale of these Bonds. If given or made, such information or representation cannot be relied upon as having been authorized by the Company or by us.

MIDLAND-OSLER SECURITIES LIMITED

LONDON TORONTO MONTREAL NEW YORK HAMILTON KITCHENER
ST. THOMAS BRANTFORD WINNIPEG REGINA SASKATOON CALGARY
EDMONTON VANCOUVER VICTORIA SAULT STE. MARIE SARNIA

The information which follows has been supplied by officers of the Company.

THE COMPANY

Greater Winnipeg Gas Company (hereinafter called the "Company") is engaged in the distribution of natural gas to residential, commercial and industrial customers in the Greater Winnipeg area of Manitoba. The Company was incorporated in 1953 by Special Act of the Legislature of the Province of Manitoba.

By Act of the Legislature in 1959 the Company was granted sole and exclusive rights to distribute gas in the Greater Winnipeg area until December 31, 1983 with provisions for renewal of this franchise to be negotiated for further periods. The Company also holds a franchise to distribute gas in the Town of Selkirk.

As a public utility the Company is subject to the jurisdiction of The Public Utilities Board of Manitoba.

CAPITALIZATION

The capitalization of the Company as of March 31, 1964 adjusted to give effect to the completion of the proposed financing, is as follows:

	Authorized	Issued and to be Outstanding
FIRST MORTGAGE BONDS:		
5¾% First Mortgage Bonds Series A (1958) due December 1, 1978	$6,500,000	$6,175,000
6% First Mortgage Bonds Series B due May 1, 1981	$5,000,000	$5,000,000
6% First Mortgage Bonds Series C due August 1, 1982	$5,000,000	$5,000,000
5¾% First Mortgage Bonds Series D due June 15, 1984	$6,500,000	$6,500,000
DEBENTURES:		
6% Debentures due December 1, 1979	$2,500,000	$2,350,000
5½% Subordinate Debentures due December 1, 1980	$2,400,000	$1,695,500
Common shares without nominal or par value	2,000,000 shs.	1,587,076 shs.

Notes (1) Additional Bonds and Debentures may be issued without limitation as to aggregate principal amount subject to the restrictions contained in the applicable trust instruments.

(2) 17,000 additional common shares are reserved for issue upon the exercise of options granted to certain employees.

OPERATIONS

Area Served

Greater Winnipeg comprises the City of Winnipeg and the Cities of St. Boniface, St. Vital, St. James, East Kildonan, West Kildonan and Transcona, the Municipalities of Assiniboia, Charleswood, Fort Garry, North Kildonan, Old Kildonan, East St. Paul, and West St. Paul, the Town of Tuxedo and the Village of Brooklands, all of which are adjacent to Winnipeg. The Town of Selkirk is 12 miles north of the Company's Greater Winnipeg franchise limits but will be operated as an extension of the distribution system serving Greater Winnipeg.

With a population of approximately 500,000, Greater Winnipeg is the fourth largest metropolitan area in Canada. The value of building permits issued in 1963 established a new record of $100,233,433. As evidence of industrial development in the area two new cement plants representing an investment of $17 million have commenced construction. Several large manufacturing establishments went into operation during the year and a number of new plants are under construction in the current year. During 1963 the Company's industrial sales increased substantially.

The climate is characterized by large temperature variations between the seasons of the year. The average annual temperature is 35°, with an average January temperature of −2° and an average July temperature of 67°. Greater Winnipeg is one of the coldest areas served by natural gas in North America.

Management

Officers of the Company are as follows:

PETER DUNCAN CURRY	President	246 Dromore Ave., Winnipeg, Man.
ARTHUR ROSCOE ELLIOTT	Vice-President and General Manager	333 Wellington Cres., Winnipeg, Man.
FREDERICK BANCROFT	Vice-President and Treasurer	264 Campbell St., Winnipeg, Man.
HOWARD CHARLES NEAL	Vice-President, Sales	15 Iroquois Bay, St. Boniface, Man.
ALFRED EDWARD SHARP	Vice-Pres., Operations	7 Carlyle Cres., Assiniboia, Man.
BERNARD DOUGLAS CROOKES	Secretary	621 Oak St., Winnipeg, Man.
FLORENCE GIBB	Assistant Secretary	294 Montgomery Ave., Winnipeg, Man.

Peter Duncan Curry, Arthur Roscoe Elliott, Augustus Searle Leach, John Alexander MacAulay, Q.C., Gordon Peter Osler, Isaac Pitblado, Q.C., all of Winnipeg, Man.; George Henry Sellers, Charleswood, Man.; Jack Robert Dempsey, Libertyville, Illinois; John Reginald Findley, Toronto, Ont.; Maurice Strong, Beaconsfield, P.Q., Peter Nesbitt Thomson, Vaudreuil, P.Q. are directors of the Company.

The aggregate remuneration paid by the Company to directors of the Company as such during its last financial year ended December 31, 1963, was $4,125; the remuneration estimated to be payable during the current financial year is $4,500. The aggregate remuneration paid by the Company to officers of the Company who individually received or are entitled to receive remuneration in excess of $10,000 per annum during its last financial year ended December 31, 1963, was $82,875 and the estimated aggregate of such remuneration payable during the current financial year is $96,000.

Recent Developments

9,718 new customers were gained during 1963 as a result of an aggressive sales promotion campaign together with an extensive construction program. During the year, installation permits applicable to more than 22,000 gas appliances in the Greater Winnipeg area were issued by the Manitoba Department of Labour.

As part of its 1964 construction program the Company will extend its service to the Town of Selkirk. The transmission system will consist of 22 miles of main, the section from Transcona to Lockport being 12" diameter pipe and from Lockport to the Town of Selkirk being 6" diameter pipe. The large main from Transcona to Lockport will provide capacity for future development in the area between Winnipeg and Selkirk along the Red River.

The Company also intends to extend its system into the Municipality of Charleswood during 1964. This municipality was included in the original franchise area, but delayed the introduction of natural gas until water and sewage systems were provided.

In order to accommodate the Company's expanding requirements for office space, it recently purchased the Natural Gas Building, at 265 Notre Dame Avenue, Winnipeg, part of which the Company formerly rented. The purchase price was $595,000. The Company is now the sole occupant of the building.

In 1963 the Company constructed a 5,000,000 imperial gallon refrigerated storage tank for the storage of propane, and three 500 horsepower compressors which, with appropriate auxiliary equipment, provide the Company with a peak shaving plant capacity of 31,000 Mcf (equivalent natural gas) per day. During 1964-1965 the Company proposes to add additional facilities to increase the peak shaving capacity to 50,000 Mcf (equivalent natural gas) per day.

Propane deliveries have been made in the past by railway tank cars. Propane will, however, be received from Alberta oilfields through a 600-mile products pipe line which is rapidly nearing completion. It is expected that propane will be flowing through this pipe line sometime in the summer of 1964. The Company has built a 6-mile propane pipe line 4½" in diameter from the terminal of Pacific Petroleums Ltd. to the Wilkes Street Gate Station.

Five Year Construction Requirements

The Company estimates that it will require $15,777,000 for construction purposes to cover the anticipated growth of its distribution system and related facilities for the 1964-1968 period. Construction requirements by year are summarized as follows:

1964	$5,489,000
1965	2,858,000
1966	2,466,000
1967	2,408,000
1968	2,556,000
	$15,777,000

Rates

The Company's rate structure is designed to sell gas at an average cost of not more than 90¢ per Mcf to an average residential customer using gas for space heating, cooking and water heating. For residential customers, natural gas is at least 20% cheaper than fuel oil before allowing for additional savings through reduced maintenance costs.

The Company also offers gas at competitive prices for most commercial and industrial uses.

Statistical Information

	1959	1960	1961	1962	1963
Number of Active Customers (year-end)					
Residential	21,654	32,029	41,121	52,401	61,391
Commercial	1,815	2,618	3,578	4,467	5,174
Industrial	306	213(1)	163(1)	156	177
TOTAL CUSTOMERS	23,775	34,860	44,862*	57,024	66,742
Gas Sold—Mcf (Thousands of Cubic Feet)					
Residential Customers	1,953,769	3,390,039	5,076,430	6,736,031	8,232,904
Commercial Customers	763,575	1,869,171	2,954,412	3,962,722	4,881,253
Industrial Customers	3,583,434	3,505,881	5,133,304	4,623,839	6,124,622
TOTAL SALES	6,300,778	8,765,091	13,164,146	15,322,592	19,238,779
Maximum Daily Sendout—Mcf	36,530	56,951	81,532	110,231	124,906
Degree Day Deficiency (2)	10,888	10,602	10,239	10,701	10,059
Annual Use per Average Residential Customer Mcf (3)	117	135	146	151	149
Average Revenue per Mcf					
Residential	$0.93	$0.92	$0.92	$0.91	$0.91
Commercial	0.81	0.77	0.73	0.73	0.73
Industrial	0.37	0.36	0.31	0.35	0.33

(1) Does not indicate a reduction in Industrial Customers but reflects the result of Customer reclassification.

(2) Degree Day Deficiency is the number of degrees the mean temperature for a given day is below 65 degrees F.

(3) Represents the 12-month sum of each month's sales to residential customers divided by the number of month-end customers.

*10,867 customers were added during the year; the statistics show 865 fewer customers because of an adjustment to compensate for a change in the method of tabulation.

PROPERTIES

Transmission and Distribution System

The distribution system of the Company obtains its natural gas supply from Trans-Canada Pipe Lines Limited at three points. The Company's transmission lines serving the Greater Winnipeg area are a 12″ main terminating at the main City Gate Station in the Town of Tuxedo, a smaller transmission main feeding the southern area of the Rural Municipality of Fort Garry, and a 16″ transmission main terminating at a City Gate plant in Transcona. The two larger transmission mains connect to a high pressure distribution system which exceeds 30 miles in length and is designed for a maximum operating pressure of approximately 150 pounds per square inch.

Natural gas is fed by means of a number of underground regulating stations into a system of cathodically protected welded steel mains. These mains, along with the cast iron mains formerly used to distribute manufactured gas, now amount to approximately 779 miles of distribution mains exclusive of the high pressure loop. The Company has gas mains in front of approximately 96% of the dwelling units in the Greater Winnipeg area. A survey made early in 1964 indicated that there are nearly 40,000 homes which are potential users of gas adjacent to these mains.

Other Properties

In addition to the transmission and distribution systems, the Company's properties include the Natural Gas Building; the peak shaving equipment and storage tank; service pipe which conducts gas from the mains to customers' premises; meters and regulators; warehouse, office, transportation and engineering equipment.

GAS SUPPLY

Natural Gas Supply

The Company has entered into contracts dated May 12, 1955 and May 23, 1963 for the purchase of natural gas from Trans-Canada Pipe Lines Limited. The contract amendment dated May 23, 1963 included a reduction in the provision as to load factor from 75% to 65%. The contracts are effective until November 1, 1977 and thereafter until terminated by either party upon 12 months' prior notice to the other.

Under these contracts Trans-Canada Pipe Lines Limited is required to supply the Company with gas in amounts up to a maximum daily volume of 108,000 Mcf per day in the eighth contract year ending October 31, 1965 and thereafter during term. Based on present estimates of potential sales, it is anticipated that after the eighth contract year, the gas requirements of Greater Winnipeg Gas Company will be greater than maximum daily volume stated above. The Company will purchase such additional requirements at rates to be determined.

The rates to the Company for natural gas delivered under the contracts up to 46,900 Mcf per day consist of a demand charge for each month of $1.90 for general service gas and $1.42 for industrial firm service gas multiplied in each case by the applicable billing demands plus a commodity charge of 21.2¢ per Mcf. For gas delivered during the eighth contract year the first 46,900 Mcf per day will be at the rates outlined above and the additional quantities of gas will have a demand charge of $2.20 and a commodity charge of 23.7¢ per Mcf. For purposes of billing, the commodity charges shall be applied in direct proportion to the two effective contracted demands.

All groups of rates above set forth are subject to increase by an amount equal to one-half of the amount of any increase in the cost to Trans-Canada Pipe Lines Limited, of gas sold to the Company resulting from the exercise of legislative or regulatory authority.

As to all of the groups of rates above set forth, the Company is also required to reimburse Trans-Canada Pipe Lines Limited for any sales tax levied by Canada or by the Province of Manitoba or any political subdivision of such Province and for one-half of any additional tax paid by Trans-Canada Pipe Lines Limited on gas delivered to the Company related to sales, production, severance, gathering or transmission (other than income, profits, franchise and certain other taxes).

Propane Supply

While certain quantities of winter peaking gas may be obtained from Trans-Canada Pipe Lines Limited, in order to ensure that an adequate supply of peak shaving gas is available the Company has entered into a ten-year contract ending September 30, 1974 with Pacific Petroleums Ltd. for a supply of propane.

PURPOSE OF ISSUE

The net proceeds from the sale of the Series D Bonds is $6,353,750 before providing for legal, auditing, printing and miscellaneous expenses.

The net proceeds will be used to repay bank loans of approximately $6,055,000 and the balance used for general corporate purposes including the expansion of the Company's gas distribution facilities.

Within the two preceding years the Company has issued and sold $5,000,000 principal amount of 6% First Mortgage Bonds Series C for $4,775,000 paid in cash. Legal, auditing and miscellaneous fees and expenses in the amount of $21,091 were paid out of the general funds of the Company in respect of this issue. $1,000,000 principal amount of the said Bonds were sold for delivery and payment on January 15, 1963. The Company paid $4,575 as a stand-by charge, being at the rate of 1% per annum of the said principal amount of $1,000,000 computed from August 1, 1962.

ASSETS

Net tangible assets as shown by the accompanying Pro Forma Balance Sheet of the Company, as at March 31, 1964 are indicated to be as follows:

Property, plant and equipment	$37,344,126	
Deduct: Accumulated depreciation	2,671,479	$34,672,647
Current Assets	5,070,884	
Deduct: Current Liabilities	3,116,448	$ 1,954,436
Net Tangible Assets before deduction of long-term debt		$36,627,083

Such net tangible assets are equivalent to $1,615 for each $1,000 principal amount of First Mortgage Bonds outstanding upon completion of this financing.

MAXIMUM ANNUAL BOND INTEREST REQUIREMENTS

Maximum annual bond interest requirements on all First Mortgage Bonds outstanding and to be outstanding upon completion of this issue amount to $1,328,813.

DESCRIPTION OF 5¾% FIRST MORTGAGE BONDS SERIES D

General

The 5¾% First Mortgage Bonds Series D (herein sometimes referred to as the "Series D Bonds") will be issued under and subject to the provisions of a deed of trust and mortgage dated December 1, 1958 between the Company and Montreal Trust Company, as Trustee, as supplemented by indentures between the same parties dated May 1, 1961, August 1, 1962, and to be dated June 15, 1964 (herein collectively called "the Mortgage").

The Series D Bonds will be dated June 15, 1964 and will mature June 15, 1984.

Interest on the Series D Bonds at the rate of 5¾% per annum will be payable semi-annually on June 15 and December 15. Principal, interest and redemption premiums, if any, will be payable in lawful money of Canada at the holder's option at any branch in Canada of the Company's bankers.

Definitive Series D Bonds will be issued in fully registered form in denominations of $1,000, $5,000, $10,000 and authorized multiples of $1,000 in excess of $10,000, and in coupon form in the denomination of $1,000 registrable as to principal only.

Redemption

The Series D Bonds will be redeemable at the Company's option, in whole at any time or in part from time to time, on not less than 30 days' notice at 100% of the principal amount thereof together, in cases where redemption is made for purposes other than sinking fund, with a premium thereon commencing at 5¾% of such principal amount in respect of Series D Bonds redeemed up to and including June 15, 1965, and thereafter decreasing by .30 of 1% of such principal amount for each year or portion thereof elapsed after June 15, to the date fixed for redemption up to and including June 15, 1983, after which there shall be no premium; together in each case with accrued interest to the date fixed for redemption; provided, however, that the Company shall not, as a part of any refunding or anticipated refunding operation, redeem the Series D Bonds in whole or in part prior to June 15, 1976, by the application, directly or indirectly, of borrowed funds having a lower cost of interest than the Series D Bonds to be redeemed. When redemption is made for sinking fund purposes no premium will be payable.

Sinking Fund

The Company will covenant for the benefit of the holders of the Series D Bonds to retire by purchase for cancellation or by redemption by call for the purpose of a sinking fund $162,500 principal amount of Series D Bonds on June 15, in each of the years 1968 to 1983, inclusive. The Company will reserve the right to purchase Series D Bonds on the open market or by tender or by private contract for the purpose of a sinking fund or otherwise at any price not exceeding the price at which Series D Bonds on the date of purchase are redeemable for other than sinking fund purposes plus costs of purchase.

Additional Bonds

Additional bonds may be issued from time to time under the Mortgage in amounts not exceeding in the aggregate 70% of the cost or fair value, whichever is less, of additional property acquired by the Company provided that the Net Earnings of the Company (as defined herein) for any twelve consecutive months out of the eighteen months immediately preceding any application for the issue of such additional bonds shall have been not less than two and one-quarter times the sum of the annual interest requirements on all bonds to be outstanding after the proposed issue and after any retirement of bonds to be made out of the proceeds thereof.

Additional property which shall have been used as the basis for the certification of bonds (including the Series D Bonds) shall not again be used for such purpose except to the extent and under the conditions permitted by the Mortgage.

Certain Covenants of the Company

The Company will covenant to the effect that so long as any of the Series D Bonds are outstanding:

1. The Company will not declare or pay any dividend (other than stock dividends) on any common shares of the capital stock of the Company when the Capital and Surplus of the Company (as defined herein) is less than $9,000,000, or if the result of any such payment would be to reduce the Capital and Surplus of the Company to an amount less than $9,000,000;

2. Except for the purpose of refunding all the Series D Bonds at the time outstanding, the Company will not create or issue any subsequent series of Bonds expressed to mature earlier than June 15, 1984; (except that Serial Bonds maturing prior to such date may be provided for in lieu of providing in part or in whole for sinking fund payments for any such subsequent series);

3. No additional bonds may be issued which the Company is required to retire in any year (through a sinking fund or by serial maturity) at a proportionately greater rate than the then current rate of retirement through the sinking fund of the Series D Bonds, unless the Company shall, at the time of creation of such additional bonds, covenant with the Trustee for the Series D Bonds to proportionately increase the sinking fund in respect of the Series D Bonds;

4. The Company will not permit any subsidiary to guarantee any indebtedness or dividends of or give any other guarantee on behalf of any person, firm or corporation other than the Company.

Provided always that the foregoing and the floating charge hereinafter referred to shall not apply to nor operate to prevent

(*a*) the acquiring by the Company or any subsidiary of property subject to any mortgage, lien, charge or encumbrance thereon at the time of acquisition; or

(*b*) the extension, renewal or refunding of any mortgage, lien, charge or encumbrance permitted under (*a*) above to the extent of the principal amount of the indebtedness secured by and owing under any such mortgage, lien, charge or encumbrance at the time of such extension, renewal or refunding; or

(*c*) any subsidiary guaranteeing Appliance Time Purchase Contracts.

Security

The Series D Bonds will rank equally as to security with all other bonds issued under the Mortgage. By its terms the Mortgage in effect will constitute:

(1) A first fixed and specific hypothec, mortgage, pledge and charge on all present and future real and immovable property and rights and all other physical property, movable and immovable (except gas, motor vehicles and merchandise and supplies held for consumption or resale) now owned or hereafter acquired by the Company, all franchises, privileges, permits, grants and licenses held by or granted to the Company, and the Company's gas supply contract with Trans-Canada Pipe Lines Limited, and the Company's Propane supply contract with Pacific Petroleum Ltd.; and

(2) A first floating charge under the undertaking of the Company and all its property and assets, present and future, other than property and assets subjected to the specific charge of the Mortgage, and other than Appliance Time Purchase Contracts; subject only to permitted liens and minor title defects as defined in the Mortgage.

Definitions

The following are definitions of certain phrases referred to herein:

"Net Earnings of the Company" means the income from all sources (but not including gains or losses in the sale or disposal of capital assets or investments) of the Company and its subsidiaries computed on a consolidated basis in accordance with accepted accounting principles before charging or making provision for interest on funded obligations, amortization of deferred charges or taxes on income or profits but after charging or making provision for depreciation and all expenses of operation and administration.

"Capital and Surplus of the Company" means capital stock, earned surplus and appropriations or reservations of earned surplus as determined by the Company's auditors in accordance with accepted accounting principles.

"funded obligations" means any indebtedness (other than in respect of Appliance Time Purchase Contracts, and the 5½% Subordinate Debentures) of or guaranteed by the Company or any subsidiary which is not payable on demand and the due date of payment of the principal amount of which is more than eighteen months after the date of its creation or renewal.

"Appliance Time Purchase Contracts" means conditional sale agreements, lien notes, promissory notes and any other similar instruments held by or for the Company or a subsidiary (and the indebtedness represented thereby) evidencing secured or unsecured indebtedness incurred by a purchaser at retail in respect of any gas-burning appliances and equipment and other related merchandise sold at retail by the Company or a subsidiary or another dealer therein, the purchase price or part of the purchase price of which shall have been financed by the Company or a subsidiary either directly with the purchaser or through such dealer or otherwise, or similarly evidencing indebtedness in respect of installation or repair to such merchandise or other similar services; and includes all renewals of and substitutions for such instruments.

PAST EARNINGS

The following report has been received from the Company's auditors:

To the Directors,

Greater Winnipeg Gas Company.

We have examined the statement of earnings of Greater Winnipeg Gas Company for the nine years and three months ended March 31, 1964. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. This statement includes figures for the year ended December 31, 1958 and prior periods which have been reported on by other auditors.

In our opinion, based on our examination and reports of the other auditors, the accompanying statement with the footnotes thereto, presents fairly the results of the operations of Greater Winnipeg Gas Company for the nine years and three months ended March 31, 1964, in accordance with generally accepted accounting principles.

Statement of earnings for the nine years and three months ended March 31, 1964

Year ended December 31	Profit (loss) from operations before depreciation, interest and amortization of conversion and development costs	Depreciation (Note 2)	Interest (Note 3)	Amortization of conversion, plant abandonment and development costs	Income Taxes (Note 4)	Profit (loss) (Notes 4 and 5)
1955	$ (330,397)	$126,000	....	....	....	$ (456,397)
1956	(484,833)	126,000	....	....	....	(610,833)
1957	(508,339)	126,000	$ 206,800	....	....	(841,139)
1958	197,053	201,618	474,135	....	....	(478,700)
1959	758,973	250,502	450,975	....	....	57,496
1960	1,507,632	393,266	651,350	....	....	463,016
1961	2,170,487	516,178	688,298	$114,456	....	851,555
1962	2,452,352	626,228	803,768	127,300	....	895,056
1963	3,063,110	796,380	1,026,646	129,075	....	1,111,009
3 months ended						
March 31, 1964	2,968,668*	237,706	304,514	32,266	$1,111,400	1,282,782*

*Sales of gas for space heating for the months January to March, 1964 are considerably higher than the monthly average for the year. For this reason profits for the three months ended March 31, 1964 should not be taken as representative of the full twelve month period ended December 31, 1964.

Note 1—Earnings prior to October 1957 represent results of the Company's operations as suppliers of manufactured gas. Earnings subsequent to October 1957 represent results of the Company's operations as distributors of natural gas.

Note 2—During the years ended December 31, 1953 to 1957, inclusive, depreciation has been provided only on those assets acquired at December 1, 1952, from Winnipeg Electric Company. Commencing January 1, 1958, the Company has made provision for depreciation on all of its fixed assets. Depreciation on plant has been charged directly to operations. Depreciation on transportation and construction equipment and the amortization of leasehold improvements has been charged to clearing accounts, the balances of which were re-allocated to property accounts and expense accounts.

Note 3—Until December 31, 1956, the Company deferred all interest charges. Commencing January 1, 1957, a portion of the interest paid has been charged to fixed asset accounts as interest on construction and the balance has been charged to operations. Interest expense represents interest on long-term debt and other interest charges less interest income and interest charged to construction.

Note 4—Up to, and including 1963, the Company has not been liable for income taxes because of accumulated operating losses sustained during the years 1952 to 1958, inclusive. For the period from 1952 to 1963 the Company charged depreciation on its books in excess of that claimed for income tax purposes. These taxation benefits will be fully applied in 1964, and the Company will be liable for income taxes. The amount of income taxes provided as at March 31, 1964 is $1,111,400, of which $166,300 is deferred to future periods by reason of the Company's intention to claim capital cost allowances in excess of recorded depreciation.

Note 5—A non-recurring dividend of $14,001 received in 1956 and a gain on the sale of land of $25,475 in 1960, have been excluded from income in the accompanying statement.

Note 6—Accumulated losses of $2,510,788 to December 31, 1957, and charges to deficit for revaluation of coke inventory and deferred development expenses of $992,302 have been eliminated from the Company's books by means of a reduction of capital following the reorganization of the Company in 1958.

McDonald, Currie & Co.,
Chartered Accountants.

May 19, 1964.
Winnipeg, Manitoba.

BALANCE SHEET AND PRO FORMA B

The pro forma balance sheet gives effect to the following:

(*a*) The creation of and sale to the underwriters of $6,500,000 principal amount 5¾% First Mortgage Bonds Series D, due June 15, 1984, for $6,353,750

ASSETS

	Balance sheet	Pro forma balance sheet
Property, Plant and Equipment—at cost	$37,344,126	$37,344,126
Accumulated depreciation	2,671,479	2,671,479
	34,672,647	34,672,647
Current Assets		
Cash	114,615	383,365
Accounts receivable		
Consumers and general	1,974,657	1,974,657
Conditional sales contracts, less unearned finance charges	2,167,320	2,167,320
Allowance for doubtful accounts	(87,264)	(87,264)
Merchandise, materials and supplies on hand—at cost	530,368	530,368
Prepaid expenses	102,438	102,438
	4,802,134	5,070,884
Deferred Charges		
Costs and property losses pertaining to the conversion to natural gas, being amortized over the ten year period beginning January 1, 1961:		
Cost of conversion of property including customers' appliances	461,625	461,625
Property losses (*Note 2*)	409,559	409,559
Unamortized debt discount and expense	755,597	931,847
Reorganization expense, including costs of issuing common shares	279,818	279,818
	1,906,599	2,082,849
	$41,381,380	$41,826,380

Approved on Behalf of the Board:

Peter D. Curry, *Director*

A. R. Elliott, *Director*

(*b*) The payment of estimated financing expenses of $30,000.

(*c*) The retirement of the Company's bank indebtedness.

CAPITAL AND LIABILITIES

		Balance sheet	Pro forma balance sheet
CAPITAL (*Note 1*)			
Authorized—			
2,000,000 common shares without nominal or par value			
Consideration not to exceed	$17,500,000		
Issued and fully paid—1,587,076 shares		$ 9,313,523	$ 9,313,523
Retained earnings		2,549,944	2,549,944
		11,863,467	11,863,467
CUSTOMERS' CONTRIBUTIONS IN AID OF CONSTRUCTION		197,165	197,165
DEFERRED INCOME TAXES APPLICABLE TO FUTURE YEARS		166,300	166,300
LONG-TERM DEBT (*Note 3*)		19,983,000	26,483,000
CURRENT LIABILITIES			
Bank advances—secured			
General account		4,095,000	....
Conditional sales contracts account		1,960,000	....
Income taxes payable		945,100	945,100
Accounts payable		1,500,836	1,500,836
Accrued interest on long-term debt		371,440	371,440
Sinking fund payments due within one year		237,500	237,500
Customers' security deposits		61,572	61,572
		9,171,448	3,116,448
		$41,381,380	$41,826,380

GREATER WINNIPEG GAS COMPANY

BALANCE SHEET AND PRO FORMA BALANCE SHEET AS AT MARCH 31, 1964

EXPLANATORY NOTES

1. The Company has reserved 17,000 of its authorized but unissued common shares without nominal or par value for issue upon exercise of options granted to certain employees. Under the terms of the options, 6,000 are exercisable at $10.00 per share and 11,000 at $10.34 per share. Options expire on July 21, 1969.

2. Upon arrival of natural gas in Winnipeg during the latter part of 1957, certain assets costing $443,591 were abandoned and their net book value of $333,298 was transferred to Deferred Charges—Property Losses. Subsequently, the net book value of certain additional assets totalling $256,868 has also been transferred to this account. Commencing in 1961, the Company adopted the policy of writing off these charges to operations over a ten-year period.

3. Long-Term Debt

	Balance Sheet	Pro Forma Balance Sheet
5¾% First Mortgage Bonds Series A (1958) due December 1, 1978	$ 6,175,000	$ 6,175,000
6% First Mortgage Bonds Series B due May 1, 1981	5,000,000	5,000,000
6% First Mortgage Bonds Series C due August 1, 1982	5,000,000	5,000,000
5¾% First Mortgage Bonds Series D due June 15, 1984	....	6,500,000
6% Debentures, due December 1, 1979	2,350,000	2,350,000
5½% Subordinate Debentures, due December 1, 1980	1,695,500	1,695,500
	20,220,500	26,720,500
Less: Sinking Fund payments due within one year, included in current liabilities	237,500	237,500
	$19,983,000	$26,483,000

AUDITORS' REPORT

To the Directors,

Greater Winnipeg Gas Company.

We have examined the accompanying balance sheet and pro forma balance sheet of Greater Winnipeg Gas Company as at March 31, 1964. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet presents fairly the financial position of the Company as at March 31, 1964, according to the best of our information and the explanations given to us and as shown by the books of the Company.

We further report that, in our opinion, the accompanying pro forma balance sheet presents fairly the financial position of the Company, as at the same date, after giving effect to the changes set forth in the heading thereof, according to the best of our information and the explanations given to us.

McDonald, Currie & Co.,
Chartered Accountants.

May 19, 1964.
Winnipeg, Manitoba

UNDERWRITERS

Nesbitt, Thomson and Company, Limited and Midland-Osler Securities Limited are the underwriters for the Greater Winnipeg Gas Company 5¾% First Mortgage Bonds Series D.

The following includes the names of all persons having an interest directly or indirectly to the extent of not less than five per cent in the capital of:

Nesbitt, Thomson and Company, Limited

A. D. Nesbitt, J. I. Crookston, H. E. Murray, N. R. Calder, J. R. Oborne.

Midland-Osler Securities Limited

E. M. Kennedy, David B. Weldon, J. T. Skelly, C. W. McBride, E. H. Gunn, R. G. McCulloch, W. A. Stewart.

Dated this 20th day of May, 1964.